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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

Arizona Corporation Commission

DOCKETED

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In the matter of

PROPERTY QUEST D.J.E., INC., an
Arizona CorporationDONALD J. EMMONS III and STACY S.
EMMONS, husband and wife

Respondents.

DOCKET NO. S-20617A-08-0468

DECISION NO. 70549

**ORDER TO CEASE AND DESIST, ORDER
OF RESTITUTION, ORDER FOR
ADMINISTRATIVE PENALTIES AND
CONSENT TO SAME
BY: PROPERTY QUEST D.J.E., INC.,
DONALD J. EMMONS III AND STACY S.
EMMONS**

Respondents PROPERTY QUEST D.J.E., INC., DONALD J. EMMONS III and STACY S. EMMONS elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order To Cease And Desist, Order Of Restitution, Order For Administrative Penalties And Consent To Same ("Order"). PROPERTY QUEST D.J.E., INC., DONALD J. EMMONS III and STACY S. EMMONS admit the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the Commission.

I.

FINDINGS OF FACT

1. PROPERTY QUEST D.J.E., INC. ("PROPERTY QUEST"), was at all relevant times an Arizona corporation.

1 2. DONALD J. EMMONS III ("EMMONS"), was at all relevant times an officer of
2 PROPERTY QUEST.

3 3. PROPERTY QUEST and EMMONS may be referred to collectively as
4 "Respondents"

5 4. STACY S. EMMONS ("S. EMMONS"), was at all relevant times the spouse of
6 Respondent EMMONS. S. EMMONS is joined in this action under A.R.S. § 44-2031(C) solely for
7 purposes of determining the liability of the marital community.

8 5. At all times relevant, EMMONS was acting for his own benefit and for the benefit or
9 in furtherance of his and S. EMMONS' marital community.

10 6. From 2004 through 2006 Respondents raised substantial funds from investors.
11 Respondents repaid many of those investors. Respondents still owe about 45 investors
12 \$5,110,399.56

13 7. Beginning in about 2004, Respondents placed advertisements in Arizona and
14 California newspapers seeking investors. The advertisements represented that investors could "earn
15 40% on \$10K".

16 8. Respondents represented they were in the business of purchasing distressed and
17 foreclosed properties, fixing up the properties and reselling them for a profit. The investment
18 opportunity offered was for investors to provide the funds for the remodeling and rehabbing of the
19 property. The investments were to be secured by a second deed of trust on the property. Some
20 investors were told their investment would be secured by third or fourth positions on the property.

21 9. Investors signed promissory notes that outlined the terms of the investment and the
22 role of the investor and Respondents.

23 10. Respondents represented that the investment involved "little risk" and the promissory
24 notes were secured by a deed of trust. The only risk disclosed was that the timeframe to resell the
25 property was not certain.

26

11. According to the Respondents, the average turnaround time on the investment was six to twelve months.

12. In some instances, the Respondents failed to record a deed of trust for the benefit of some of the investors' collateral interests in the property.

13. In some instances, the Respondents did not hold title to the real estate, as represented to the investors.

14. In a number of instances, Respondents did not renovate the property as represented to the investors.

15. In some instances, EMMONS and S. EMMONS provided some of the investors additional security on their investment by assigning a deed of trust (junior to that securing their purchase money note) on their personal residence located in Mesa, Arizona. The total amount of funds secured by the deeds of trust on the property far exceeded the value of the property.

II.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. Respondents offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

3. Respondents violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

4. Respondents violated A.R.S. § 44-1842 by offering or selling securities while neither registered as dealers or salesmen nor exempt from registration.

5. Respondents violated A.R.S. § 44-1991 by making untrue statements or misleading omissions of material facts and engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit.

- a. The Respondents, in a number of instances, failed to record a deed of trust for the benefit of some of the investors' collateral interests in the property.
- b. The Respondents, in some instances, did not hold title to the real estate, as represented to the investors.
- c. The Respondents, in some instances, did not renovate the property as represented to the investors.
- d. In some instances, EMMONS and S. EMMONS provided some of the investors additional security on their investment by assigning a deed of trust (junior to that securing their purchase money note) on their personal residence located in Mesa, Arizona. The total amount of funds secured by the deeds of trust on the property far exceeded the value of the property.

6. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

7. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-2032.

8. Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-2036.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondents' consent to the entry of this Order, attached and incorporated by reference, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of Respondents' agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

1 IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry
2 of Order.

3 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents and S.
4 EMMONS shall jointly and severally pay restitution to the Commission in the amount of
5 \$5,110,399.56. Payment shall be made in full on the date of this Order. Any amount outstanding
6 shall accrue interest at the rate of 10% per annum from the date of this Order until paid in full.
7 Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account
8 controlled by the Commission. The Commission shall disburse the funds on a pro-rata basis to
9 investors shown on the records of the Commission. Any restitution funds that the Commission
10 cannot disburse because an investor refuses to accept such payment shall be disbursed on a pro-
11 rata basis to the remaining investors shown on the records of the Commission. Any funds that the
12 Commission determines it is unable to or cannot feasibly disburse shall be transferred to the
13 general fund of the state of Arizona.

14 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents and S.
15 EMMONS shall jointly and severally pay an administrative penalty in the amount of \$100,000.
16 Payment shall be made to the "State of Arizona." Payment shall be made in full on the date of this
17 Order. The payment obligations for these administrative penalties shall be subordinate to any
18 restitution obligations ordered herein and shall become immediately due and payable only after
19 restitution payments have been paid in full or upon Respondents' default with respect to
20 Respondents' restitution obligations.

21 For purposes of this Order, a bankruptcy filing by any of the Respondents shall be an act of
22 default. If any Respondent does not comply with this Order, any outstanding balance may be
23 deemed in default and shall be immediately due and payable.

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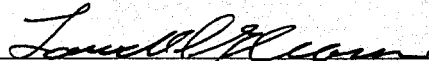
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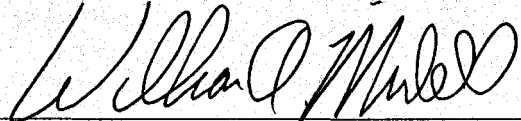
1 IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the
2 Commission may bring further legal proceedings against that Respondent, including application to
3 the Superior Court for an order of contempt.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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8 CHAIRMAN



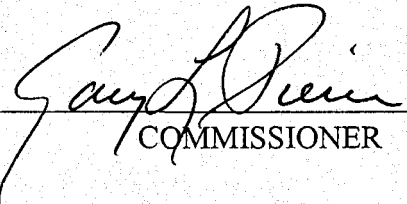
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COMMISSIONER

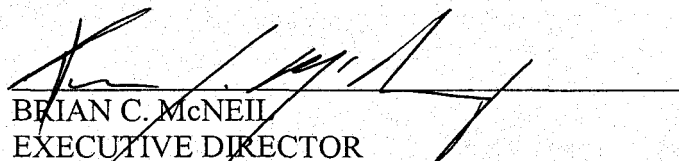


COMMISSIONER



COMMISSIONER

11
12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
13 Executive Director of the Arizona Corporation
14 Commission, have hereunto set my hand and caused the
15 official seal of the Commission to be affixed at the
16 Capitol, in the City of Phoenix, this 8th day of
17 October, 2008.

18 
BRIAN C. McNEIL
EXECUTIVE DIRECTOR

19
20 DISSENT

21
22 DISSENT

23 This document is available in alternative formats by contacting Linda Hogan, ADA Coordinator,
24 voice phone number 602-542-3931, e-mail lhogan@azcc.gov.

25 (wlc)
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CONSENT TO ENTRY OF ORDER

1
2 1. Respondent PROPERTY QUEST D.J.E., INC. admits the jurisdiction of the
3 Commission over the subject matter of this proceeding. Respondent PROPERTY QUEST D.J.E.,
4 INC. acknowledges that Respondent has been fully advised of Respondent's right to a hearing to
5 present evidence and call witnesses and Respondent PROPERTY QUEST D.J.E., INC. knowingly
6 and voluntarily waives any and all rights to a hearing before the Commission and all other rights
7 otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona
8 Administrative Code. Respondent PROPERTY QUEST D.J.E., INC. acknowledges that this
9 Order To Cease and Desist, Order Of Restitution, Order For Administrative Penalties and Consent
10 To Same ("Order") constitutes a valid final order of the Commission.

11 2. Respondent PROPERTY QUEST D.J.E., INC. knowingly and voluntarily waives
12 any right under Article 12 of the Securities Act to judicial review by any court by way of suit,
13 appeal, or extraordinary relief resulting from the entry of this Order.

14 3. Respondent PROPERTY QUEST D.J.E., INC. acknowledges and agrees that this
15 Order is entered into freely and voluntarily and that no promise was made or coercion used to
16 induce such entry.

17 4. Respondent PROPERTY QUEST D.J.E., INC. acknowledges that Respondent has
18 been represented by an attorney in this matter, Respondent has reviewed this Order with
19 Respondent's attorney, Charles Berry, Esq., Titus Brueckner & Berry P.C., and understands all
20 terms it contains.

21 5. Respondent PROPERTY QUEST D.J.E., INC. neither admits nor denies the
22 Findings of Fact and Conclusions of Law contained in this Order. Respondent PROPERTY
23 QUEST D.J.E., INC. agrees that Respondent shall not contest the validity of the Findings of Fact
24 and Conclusions of Law contained in this Order in any present or future administrative proceeding
25 before the Commission or any other state agency concerning the denial or issuance of any license
26 or registration required by the state to engage in the practice of any business or profession.

1 6. By consenting to the entry of this Order, Respondent PROPERTY QUEST D.J.E.,
2 INC. agrees not to take any action or to make, or permit to be made, any public statement denying,
3 directly or indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the
4 impression that this Order is without factual basis. Respondent PROPERTY QUEST D.J.E., INC.
5 will undertake steps necessary to assure that all of Respondent's agents and employees understand
6 and comply with this agreement.

7 7. While this Order settles this administrative matter between Respondent
8 PROPERTY QUEST D.J.E., INC. and the Commission, Respondent PROPERTY QUEST D.J.E.,
9 INC. understands that this Order does not preclude the Commission from instituting other
10 administrative or civil proceedings based on violations that are not addressed by this Order.

11 8. Respondent PROPERTY QUEST D.J.E., INC. understands that this Order does not
12 preclude the Commission from referring this matter to any governmental agency for
13 administrative, civil, or criminal proceedings that may be related to the matters addressed by this
14 Order.

15 9. Respondent PROPERTY QUEST D.J.E., INC. understands that this Order does not
16 preclude any other agency or officer of the state of Arizona or its subdivisions from instituting
17 administrative, civil, or criminal proceedings that may be related to matters addressed by this
18 Order.

19 10. Respondent PROPERTY QUEST D.J.E., INC. agrees that Respondent will not
20 apply to the state of Arizona for registration as a securities dealer or for licensure as an investment
21 adviser until such time as all restitution and penalties under this Order are paid in full.

22 11. Respondent PROPERTY QUEST D.J.E., INC. agrees that Respondent will not
23 exercise any control over any entity that offers or sells securities or provides investment advisory
24 services within or from Arizona until such time as all restitution and penalties under this Order are
25 paid in full.
26

1 12. Respondent PROPERTY QUEST D.J.E., INC. agrees that Respondent will not sell
2 any securities in or from Arizona without being properly registered in Arizona as a dealer, or
3 exempt from such registration; Respondent will not sell any securities in or from Arizona unless
4 the securities are registered in Arizona or exempt from registration; and Respondent will not
5 transact business in Arizona as an investment adviser unless properly licensed in Arizona or
6 exempt from licensure.

7 13. Respondent PROPERTY QUEST D.J.E., INC. consents to the entry of this Order
8 and agrees to be fully bound by its terms and conditions.

9 14. Respondent PROPERTY QUEST D.J.E., INC. acknowledges and understands that
10 if Respondent fails to comply with the provisions of the order and this consent, the Commission
11 may bring further legal proceedings against Respondent, including application to the superior court
12 for an order of contempt.

13 15. Respondent PROPERTY QUEST D.J.E., INC. understands that default shall render
14 Respondent liable to the Commission for its costs of collection and interest at the maximum legal
15 rate.

16 16. Respondent PROPERTY QUEST D.J.E., INC. agrees and understands that if
17 Respondent fails to make any payment as required in the Order, any outstanding balance shall be
18 in default and shall be immediately due and payable without notice or demand. Respondent
19 PROPERTY QUEST D.J.E., INC. agrees and understands that acceptance of any partial or late
20 payment by the Commission is not a waiver of default by Commission.

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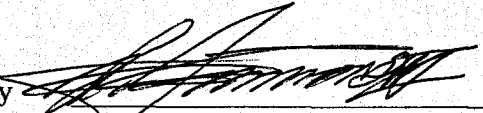
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1 17. DONALD J. EMMONS III represents that he is president of PROPERTY QUEST
2 D.J.E., INC. and has been authorized by name of PROPERTY QUEST D.J.E., INC. to enter into
3 this Order for and on behalf of it.

4
5 PROPERTY QUEST D.J.E., INC.

6
7 By 
8 DONALD J. EMMONS III,
Its President

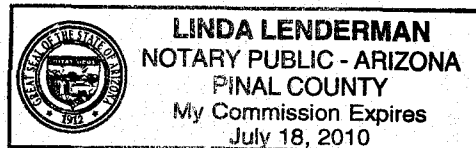
9 STATE OF ARIZONA)
10 County of PINAL) ss

11 SUBSCRIBED AND SWORN TO BEFORE me this 15th day of Sept., 2008.

12
13 
14 NOTARY PUBLIC

15 My commission expires:

16 7-18-2010



CONSENT TO ENTRY OF ORDER

1
2 1. Respondents DONALD J. EMMONS III and S. EMMONS, husband and wife,
3 admit the jurisdiction of the Commission over the subject matter of this proceeding. Respondents
4 DONALD J. EMMONS III and S. EMMONS acknowledge that they have been fully advised of
5 their right to a hearing to present evidence and call witnesses and Respondents DONALD J.
6 EMMONS III and S. EMMONS knowingly and voluntarily waive any and all rights to a hearing
7 before the Commission and all other rights otherwise available under Article 11 of the Securities
8 Act and Title 14 of the Arizona Administrative Code. Respondents DONALD J. EMMONS III
9 and S. EMMONS acknowledge that this Order To Cease and Desist, Order Of Restitution, Order
10 For Administrative Penalties And Consent To Same ("Order") constitutes a valid final order of the
11 Commission.

12 2. Respondents DONALD J. EMMONS III and S. EMMONS knowingly and
13 voluntarily waive any right under Article 12 of the Securities Act to judicial review by any court
14 by way of suit, appeal, or extraordinary relief resulting from the entry of this Order.

15 3. Respondents DONALD J. EMMONS III and S. EMMONS acknowledge and agree
16 that this Order is entered into freely and voluntarily and that no promise was made or coercion
17 used to induce such entry.

18 4. Respondents DONALD J. EMMONS III and S. EMMONS acknowledge that they
19 have been represented by an attorney in this matter, they have reviewed this Order with their
20 attorney, Charles Berry, Esq., Titus Brueckner & Berry P.C., and understand all terms it contains.

21 5. Respondent DONALD J. EMMONS III neither admits nor denies the Findings of
22 Fact and Conclusions of Law contained in this Order. Respondent DONALD J. EMMONS III
23 agrees that he shall not contest the validity of the Findings of Fact and Conclusions of Law
24 contained in this Order in any present or future administrative proceeding before the Commission
25 or any other state agency concerning the denial or issuance of any license or registration required
26 by the state to engage in the practice of any business or profession.

1 6. By consenting to the entry of this Order, Respondents DONALD J. EMMONS III
2 and S. EMMONS agree not to take any action or to make, or permit to be made, any public
3 statement denying, directly or indirectly, any Finding of Fact or Conclusion of Law in this Order
4 or creating the impression that this Order is without factual basis. Respondents DONALD J.
5 EMMONS III and S. EMMONS will undertake steps necessary to assure that all of their agents
6 and employees understand and comply with this agreement.

7 7. While this Order settles this administrative matter between Respondents DONALD
8 J. EMMONS III and S. EMMONS and the Commission, Respondents DONALD J. EMMONS III
9 and S. EMMONS understand that this Order does not preclude the Commission from instituting
10 other administrative or civil proceedings based on violations that are not addressed by this Order.

11 8. Respondents DONALD J. EMMONS III and S. EMMONS understand that this
12 Order does not preclude the Commission from referring this matter to any governmental agency
13 for administrative, civil, or criminal proceedings that may be related to the matters addressed by
14 this Order.

15 9. Respondents DONALD J. EMMONS III and S. EMMONS understand that this
16 Order does not preclude any other agency or officer of the state of Arizona or its subdivisions from
17 instituting administrative, civil, or criminal proceedings that may be related to matters addressed
18 by this Order.

19 10. Respondent DONALD J. EMMONS III agrees that he will not apply to the state of
20 Arizona for registration as a securities dealer or salesman or for licensure as an investment adviser
21 or investment adviser representative until such time as all restitution and penalties under this Order
22 are paid in full.

23 11. Respondent DONALD J. EMMONS III agrees that he will not exercise any control
24 over any entity that offers or sells securities or provides investment advisory services within or
25 from Arizona until such time as all restitution and penalties under this Order are paid in full.
26

1 12. Respondent DONALD J. EMMONS III agrees that he will not sell any securities in
2 or from Arizona without being properly registered in Arizona as a dealer or salesman, or exempt
3 from such registration; he will not sell any securities in or from Arizona unless the securities are
4 registered in Arizona or exempt from registration; and he will not transact business in Arizona as
5 an investment adviser or an investment adviser representative unless properly licensed in Arizona
6 or exempt from licensure.

7 13. Respondent DONALD J. EMMONS III and Respondent DONALD J. EMMONS
8 III's spouse, STACY S. EMMONS, acknowledge that any restitution or penalties imposed by this
9 Order are obligations of the Respondent as well as the marital community

10 14. Respondents DONALD J. EMMONS III and S. EMMONS consent to the entry of
11 this Order and agree to be fully bound by its terms and conditions.

12 15. Respondents DONALD J. EMMONS III and S. EMMONS acknowledge and
13 understand that if they fail to comply with the provisions of the order and this consent, the
14 Commission may bring further legal proceedings against them, including application to the
15 superior court for an order of contempt.

16 16. Respondents DONALD J. EMMONS III and S. EMMONS understand that default
17 shall render them liable to the Commission for its costs of collection and interest at the maximum
18 legal rate.

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1 17. Respondents DONALD J. EMMONS III and S. EMMONS agree and understand
2 that if they fail to make any payment as required in the Order, any outstanding balance shall be in
3 default and shall be immediately due and payable without notice or demand. Respondents
4 DONALD J. EMMONS III and S. EMMONS agree and understand that acceptance of any partial
5 or late payment by the Commission is not a waiver of default by Commission.

6
7 
8 DONALD J. EMMONS III

9 
10 STACY S. EMMONS

11 STATE OF ARIZONA)
12 County of PINAL) ss

13 SUBSCRIBED AND SWORN TO BEFORE me this 15th day of Sept., 2008.

14
15 
16 NOTARY PUBLIC

17 My commission expires:

18 7-18-2010

